

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION SUBCOMMITTEE ON TAXATION - SB 516

Call to Order: By **VICE CHAIRMAN ALVIN ELLIS JR.**, on March 26, 2001 at 3:05 P.M., in Room 405 Capitol.

ROLL CALL

Members Present:

Sen. Alvin Ellis Jr., Chairman (R)
Sen. Bill Glaser (R)
Sen. Emily Stonington (D)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch
Deb Thompson, Committee Secretary

Please Note: These are summary notes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: Subcommittee on SB 516,
3/23/2001
Executive Action: None

SUBCOMMITTEE ON SB 516

SENATOR ELLIS described what he thought the threshold should be for larger properties. Property leased to neighbors would find the values way off. He noted the land might be leased at \$2 an acre and then the state would need \$1.25 per acre in taxes. He described the difficulty in valuations as some land had higher yields and some lower. He felt \$8 was too high. These types of taxation issue are what pushes people towards subdividing their land in order to survive financially.

SENATOR GLASER recommended the very large parcels being taxed at the \$4 level. A high valued property could have low acreage. He described a situation of a guest ranch that raised cattle. The elevation was high and the commercial use was July through

August. The property was inaccessible nine months out of the year. He asked what would happen to the property valuation if the parcels were consolidated. **Mr. Heiman** clarified the commercial use of the dude ranch would be the buildings, not the land, so it would be assessed as class 4 property.

SENATOR ELLIS asked the subcommittee if there was a consensus to change the thresholds for parcels over twenty acres. He pointed out the problem of valuation for marginal grazing lands.

SENATOR STONINGTON asked about dealing with these issues by rules through the Department of Revenue. **SENATOR ELLIS** described a 65 acre parcel owned by an elderly person that used to be agricultural but was not even close to the monetary limit. This should not be put in a different classification. **SENATOR GLASER** pointed out non-contiguous land which was leased to 4H kids might be put in a higher valuation. Another example would be a lady whose ranch experienced a drought and she had to sell her cattle. The taxable value would be changed. There appeared to be unintended consequences. Another example was land which was summer fallowed. The land owner may not plant a crop for two to three consecutive years.

SENATOR STONINGTON said according to the Department of Revenue, there were 27,583 tracts of land between 20-160 acres which currently were non-qualifying ag land. She listed the values, considering the 7x grazing concept in the class 4 property category, with the homestead exemption to phase in the new appraisal rates. Land worth \$500 per acre in the example would be \$1.20 an acre. Land valued at \$2,000 per acre would be \$4.77; \$5,000 an acre would equal \$11.93; \$15,000 an acre value would equal \$35.81. Without the homestead exemption, \$500 an acre land would be \$1.72 an acre; \$2,000-\$6.93; \$5,000-\$17.30 and \$15,000-\$51.90. She pointed out for people in the \$15,000 an acre values this would be a huge tax increase. One hundred and sixty acre parcels and above, staying in the ag classification with the income test would qualify for the exemption. Any land can qualify for the ag classification if they can show \$1,500 income from agriculture. She pointed out the problem encountered between residential and agricultural assessments were their use. It now appears that 20-160 acre parcels are targeted to be taxed as residential land unless you can prove you are agricultural. This is one of the biggest reasons to subdivide land.

Mary Whittinghill pointed out the difficulty in assessing what the market values are as the realty transfer certificates do not indicate sales price. **SENATOR ELLIS** felt there were tremendous inequities in the way this is handled. On the other hand,

neighboring land owners should not be subsidizing the lifestyle of a large buyer of land, such as the Ted Turner example.

SENATOR ELLIS suggested the subcommittee present a **DO NOT PASS** report to the full Taxation Committee. **SENATOR GLASER** pointed out the need for a study resolution. **Mr. Heiman** said he would draft one for consideration.

ADJOURNMENT

Adjournment: 3:58 A.M.

SEN. ALVIN ELLIS, Chairman

DEB THOMPSON, Secretary

AE/DT